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REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Ms. Anna-Karin HOLM-ERICSON (Sweden)

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INTRODUCTION

1. The Budgetary and Finance Committee held eight formal meetings from 1 June through 18 June 1993 under the chairmanship of Mr. Kees Rade (Netherlands). Ms. Anna-Karin Holm-Ericson (Sweden) served as Rapporteur of the Committee. Mr. Aly Nazerali (United Nations Development Programme (UNDP)) served as Secretary of the Committee.

2. At its first meeting, the Committee approved the provisional agenda and organization of work contained in annexes I and II, respectively, to document DP/1993/BFC/L.1. The Committee agreed to keep its schedule of work flexible, taking into account the availability of documentation and the number and nature of matters referred to it by the Governing Council.

3. The recommendations of the Committee were submitted to the Governing Council in the addenda and annexes of document DP/1993/BFC/L.2. At its 29th meeting, the Council adopted the recommendations of the Committee. The views expressed during the Council's consideration of the Committee's recommendations are contained in document DP/1993/SR.29.

4. The report to the Economic and Social Council on the fortieth session of the Governing Council (E/1993/35/Supplement No. 15) includes, in its annex I, the recommendations of the Budgetary and Finance Committee as approved by the Council.

CHAPTER I. UNITED NATIONS POPULATION FUND

5. For consideration of agenda item 5, the Budgetary and Finance Committee had before it the following documents:

Biennial budget estimates for administrative and programme support services for the 1994-1995 biennium (DP/1993/35);

Annual financial review, 1992 (DP/1993/36);

Audit reports (DP/1993/37);

Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1993/38);

Report of the Executive Director on proposed revisions to the Financial Regulations of UNFPA (DP/1993/63).

6. Complementary information on matters of interest to the Budgetary and Finance Committee was also made available.

7. Before elaborating on the budget proposals for administrative and programme support services (APSS), the Executive Director mentioned briefly the financial status of UNFPA and its income prospects. She commented that UNFPA regular recources income in 1993 was estimated at $238 million, or roughly the same as that in 1992. However, she pointed out that that estimate included expected

contributions from the United States for 1993 and onwards. For the 1994-1995 biennium, UNFPA had projected total resources of $606 million, comprising regular resources of $576 million and multi-bilateral funds of $30 million. That included an anticipated contribution from the United States to regular resources of $50 million in 1994 and $50 million in 1995.

8. Concerning the APSS and programme expenditures in 1992-1993, the Executive Director said that while the level of UNFPA expenditures was modest in 1992, UNFPA was able to deliver its programmes, as well as cover overexpenditures of $5.5 million incurred in the 1990-1991 biennium. Carry-overs of regular resources from 1992 into 1993 were $33.6 million, which had resulted from prudent planning, savings realized in the APSS budget, unexpected gains in contributions as a result of favourable exchange rates, income from procurement services performed by UNFPA, and delays in programme implementation which had occurred because of political and environmental factors.

9. As a result of steps taken during the current biennium to keep administrative expenditures at a minimum, UNFPA expected to realize savings of at least $7 million on the administrative expenditures for 1992-1993.

10. Regarding the 1994-1995 APSS budget proposal, the Executive Director drew attention to the fact that the Secretary-General had requested that UNFPA participate in the process of restructuring of the United Nations system by reducing its senior management establishment. Consequently, the UNFPA budget proposal for 1994-1995 included a reduction in the level of three senior-level posts at headquarters. The budget also included proposals to establish a Country Director post in Eritrea, to add 35 new local field posts, to redeploy two headquarters posts to the field and to reclassify six Country Director posts from the P-5 level to the D-1 level and six International Programme Officer posts from the P-3 level to the P-4 level. The Executive Director mentioned that it was with some reluctance and difficulty that UNFPA proposed the downgrading of some of its senior staff at headquarters. She therefore hoped that the Governing Council might, in the near future, reconsider reinstating the posts at their former levels, particularly as the Fund's responsibilities and financial resources increased.

11. In order to ensure that proper accountability systems were in place, the Executive Director mentioned that the Fund intended to continue to strengthen the financial and administrative capacities of the field-office network. That would entail, inter alia, the further implementation of the Fund's management information system (MIS) strategy, specifically, to provide its field establishment with an upgraded computer environment that would ensure a more effective and useful monitoring of project budgets and programme delivery; and the continued implementation of the Fund's programme for staff training and development, focused on field activities.

12. In concluding her introduction, the Executive Director commented that the proposed APSS biennial budget amounted to $120.1 million (gross) and $113.1 million (net), taking into account income credits of $7 million to be applied to the budget. Thus, the ratio of the proposed APSS budget to total UNFPA resources of $606 million in 1994-1995 was 19.8 per cent on a gross basis (18.7 per cent net), which compared favourably with the ratio of the previous biennium of 21.9 per cent on a gross basis (20.6 per cent net).

13. The Director of the Division for Finance, Personnel, and Administration (DFPA) provided additional information pertaining to documents DP/1993/36 and DP/1993/63. Document DP/1993/36 contained the annual financial review of UNFPA and of its trust funds and presented the Fund's financial position as at the end of the year 1992. Document DP/1993/37 presented the corrective actions taken by UNFPA in response to the recommendations of the United Nations Board of Auditors in its report on UNFPA Financial Statements for the biennium ended 1991 (A/47/5/Add.7), as well as the status of funds of executing agencies for the year ended 31 December 1991. Document DP/1993/63 submitted to the Governing Council for its consideration and approval new financial regulations concerning authorization for procurement and for cost-sharing arrangements.

14. The Director, DFPA, highlighted the Fund's financial situation in 1992, noting that total income amounted to $238.2 million and total expenditures to $193.6 million, which resulted in an excess of income over expenditure of $44.6 million. Programme expenditures constituted 78 per cent of the total expenditures, or $151 million, whereas expenditure on headquarters and field office administration amounted to $42.6 million. As at 31 December 1992, UNFPA had cash balances in convertible currencies and time-deposit investments amounting to $121.2 million, which included $48 million of the operational reserve, $2.5 million of the Reserve for Field Accommodation and $11 million of trust funds.

15. She then drew attention to a detailed progress report, provided in document DP/1993/37, on measures taken to implement the recommendations of the Board of Auditors. She pointed out that the Executive Director's diligent efforts to obtain the timely submission of audit certificates and statements of expenditure from United Nations executing agencies, Governments, and non-governmental organizations (NGOs), had resulted in an overall improvement in audit coverage for the 1990-1991 biennium, compared to the previous biennium. She further reported that by the time of the writing of the report (April 1993), the level of audit coverage of United Nations agencies executing UNFPA projects had reached 100 per cent, while that for NGOs was 88.5 per cent and that for Governments was 69.1 per cent.

16. Concerning financial controls, the Director, DFPA, stated that efforts had been made to ensure that the Fund's field office network had the financial and administrative capacities to carry out the decentralized programme authority entrusted to it. This included, in the 1994-1995 biennium, use of the services of UNDP's Roving Finance Officers and of the Regional Service Centre (RSC) established by UNDP on a pilot basis in Kuala Lumpur; the further training of UNFPA staff in financial matters both in the field and at headquarters; the installation of expanded automated systems; and the setting up of a separate section within the UNDP Division of Audit and Management Review to deal specifically with UNFPA operations.

17. Further, she indicated that UNFPA had drafted two new financial regulations to address the need to establish the necessary legislation authorizing UNFPA to enter into new cost-sharing arrangements, and to provide procurement services on behalf of Governments and other United Nations agencies and organizations, which had been submitted to the Council in document DP/1993/63.

Summary of discussion in the Committee

18. Several delegations commended the Executive Director for the transparency, format, and presentation of the budget document. However, some delegations noted that the transparency of the document would have been enhanced if it had contained a revised budget for 1992-1993, and recommended that future budget submissions include a revised budget for the current biennium. One delegation commented that the basis for the cost increases reflected in the proposed budget was not adequately explained in the budget document, and requested more information on the inflation adjustment used in the preparation of the budget. Another delegation requested a breakdown by year, instead of by biennium, as was currently the case, in order to facilitate comparison with the performance of past years.

19. Several delegates expressed concern about the Fund's income projections, and urged the Executive Director to apply a more conservative growth rate to such forecasts in order to reduce the risk of having to delay or cancel programmes in future. Another requested information on how future currency fluctuations had been taken into account in the budget. Another cautioned that the anticipated income for the biennium included a large potential contribution from a former donor, although that donor had not been able to give assurances, that such a contribution was forthcoming. He therefore worried that the Fund's income would be substantially less for 1994-1995 without this contribution. One delegation requested information on which parts of its activities UNFPA would cut first if the projected income did not materialize - administration or programme.

20. Some delegations commended the Executive Director on her efforts to contain the level of administrative expenditures and, in particular, on the anticipated savings of US$ 7 million realized in the current biennium. However, several delegations expressed concern over the budgeted level of administrative expenditures in relation to the anticipated level of income, and requested information regarding whether any administrative expenditures were included under the technical support services (TSS) or administrative and operational services (AOS) costs reported in the income and expenditure statement of the Annual financial review (annex I of document DP/1993/36). It was pointed out that should the income projections turn out to be lower than anticipated, this could have a negative impact on the ratio of APSS expenditure to income. Thus, the Fund ought to develop contingency plans in case the anticipated resource projections were not fully realized.

21. Some delegations found the levels of administrative expenditures in 1992 too high in relation to programme expenditures and hoped that, with the increasing level of decentralization and implementation of management information systems, the ratio of General Service staff to Professional staff would decrease. Another delegation requested information concerning whether any field staff were being charged to project budgets, and another requested that clearly defined criteria be formulated to delineate administrative and programme expenditure.

22. Certain delegations expressed concern over the low programme implementation rates in 1992 and were interested in learning the reasons for it.

23. One delegation requested further information regarding the average daily balance of funds on deposit, how these funds were invested, in which currencies they were invested, and the rates of return obtained from them.

24. Some delegations noted with satisfaction the Fund's efforts to strengthen financial controls and expressed support for the actions taken to strengthen financial reporting, while urging the Fund to continue its efforts to improve financial control of nationally executed projects. One delegation recommended that the services of private auditors should be engaged and took note that the UNFPA Internal Audit Unit had only been implemented with some delay. It was also suggested that UNFPA should prepare a summary of auditors' reports on agency-executed projects, together with corrective action taken, for submission to the Governing Council, similar to that currently provided to the Council by UNDP.

25. Some delegations supported the proposal to upgrade six UNFPA Country Director posts from the P-5 level to the D-1 level, although several shared the view expressed by the ACABQ that the budget document provided insufficient justification for these upgradings. It was noted, however, that upon receipt of additional information from UNFPA, the ACABQ had had no objection to this proposal. Some delegations also expressed concern over the relative seniority of these posts with respect to the Resident Coordinator and the Resident Representative in those countries for which the upgradings were proposed. Certain delegations seemed sympathetic to the needs of the Fund in this regard, though they expressed concern that these posts should not be transferable, as it was stated that, in the past, prior incumbents of D-1 posts had moved to lower level posts.

26. One delegation requested information regarding the respective roles of the UNFPA Country Directors and UNFPA Representative and asked what type of system UNFPA used to appraise the performance of its staff.

27. There was general consensus among delegations on approving the proposals to upgrade six International Programme Officer posts from the P-3 to the P-4 level and to redeploy two headquarters posts to the field. Most delegations endorsed the proposal to downgrade the three senior management posts at headquarters, although one delegation requested further clarification on the matter.

28. The Executive Director's proposals in connection with MIS and staff training were generally supported by the delegations, as was the proposal to add 35 new local posts in the field, and the proposal to establish a field office in Eritrea which also contributes to the Secretary-General's efforts to bring about a unified United Nations presence there. However, with regard to the 35 new local posts, some delegations indicated that should the anticipated resources not materialize, the Executive Director may need to reconsider her APSS budget proposals.

29. One delegation requested the administration to provide an update, if any were available, on recent developments concerning the leasing arrangements for headquarters' premises and the possibility of the Fund obtaining real estate tax relief.

30. One delegation requested information on whether it would be possible to ensure that the Contraceptive Requirement and Logistics Management Unit would continue its activities beyond 1994, the time at which its original funding arrangement ran out.

31. One delegation requested information concerning what steps had been taken to ensure that the work being undertaken by the Fund in respect of the International Conference on Population and Development (ICPD) would not negatively impact on the normal work of the Fund.

32. One delegation expressed support for the proposal to amend the Fund's Financial Regulations concerning reimbursable procurement arrangements, while another proposed further revisions to Regulations 4.12 and 4.13. Another delegation questioned whether the income derived from procurement activities should be treated as miscellaneous income or be used to offset APSS expenditures. Other delegations asked what effect the proposed revisions concerning cost-sharing would have on the level of project funding.

Response of the administration

33. The Executive Director thanked the delegations for their comments on the various proposals before them. She expressed the hope that upon further discussion, BFC would find it possible to support the upgradings of six Country Director posts from the P-5 level to the D-1 level. She underlined the importance of these upgradings within the context of the Fund's efforts to strengthen the field offices and to effect increasing decentralization.

34. With regard to the format and presentation of the budget, the Director, DFPA, stated that ways and means of improving the clarity of the information presented were always open to review and, in that connection, thanked the delegates for their helpful suggestions.

35. Regarding the concerns expressed by several delegations over the ratio of the APSS budget to programme expenditure, the Director, DFPA, pointed out that UNFPA had succeeded in arranging savings within the current biennium in the amount of at least $7 million. The efforts were continuing at present in order to have available the largest amount of resources possible for programme purposes. She further indicated that in the future UNFPA would certainly adjust its APSS budget and keep it in line with actual income. At the same time, the present organizational capacity of the Fund must be safeguarded against short-term shifts in income levels and programme expenditure ratios. She emphasized that the current organizational capacity had been built up consistently by the Executive Director over several years in order for UNFPA to carry out its mandate effectively. For that, a critical mass in the organization was absolutely essential. She stated that to go below that level would unduly damage the organization's ability to carry out its responsibilities both in quantitative and qualitative terms.

36. Within that context, she also addressed the concerns expressed by some delegations on the headquarters/field staffing proportions by analysing the historical trend in the ratio of headquarters/field staffing. She pointed out that in the past six years UNFPA had substantially reduced the proportion of UNFPA staff at headquarters, from 40 per cent of the total staff in 1987 to

29 per cent currently. That percentage was continuing to fall. She also mentioned that UNFPA was responsible not only for programming population assistance, but also for creating global awareness and that UNFPA headquarters in particular had had a significant role to play in both those areas.

37. With reference to a query as to possible cost savings as a result of office automation, she further noted that the number of General Service staff at headquarters had increased by only six persons since 1987. As referred to in the proposed 1994-1995 budget (DP/1993/35), the productivity of General Service staff had greatly increased since 1987. Without that increase in productivity, the requirements for such staff would have been substantially higher.

38. The Director, DFPA, commented that UNFPA had reported on the delineation between administrative, programme support, and programme expenditures in document DP/1986/42, approved by the Governing Council in decision 86/35, paragraph 8 and that the guidelines were still in effect. Furthermore, in answer to a question on the new TSS and AOS arrangements, it was indicated that the arrangements were initiated in January 1992, when the new support-cost structure became operational, in accordance with decision 91/37. She also stated that she was not aware of any cases of field staff being charged to project budgets, but promised to look into the matter.

39. In reference to delegations comments on the programme implementation rates in 1992, the Director, DFPA, responded that those rates were a result of several factors: the Fund's cautious attitude towards the programming of resources in view of its overexpenditure on programmes in 1992; the slow start-up of a large number of new country programmes; the introduction of a new system of support-cost arrangements; unexpected exchange gains in contributions arising late in the year, as well as other factors. She added that UNFPA would have no problems in utilizing those unused funds in 1993 and, therefore, the programme implementation rate would be more favourable in that year.

40. The Director, DFPA, indicated that the issue of the ratio of APSS to programme expenditure should be examined over a number of years, rather than focusing on a one-year basis. She mentioned that the situation might improve in 1993, particularly in view of the substantial carry-over from 1992 to 1993. That had raised the ratio in 1992, but would have the opposite effect in 1993 if the resulting available programme funds were utilized as expected.

41. Responding to the concerns of some delegates in regard to the inflation assumptions used in the budget, the Director, DFPA, stated that should the actual levels of inflation during the biennium exceed the levels assumed in the budget, then UNFPA would respond by cutting both administrative and programme expenditures, but with particular emphasis on safeguarding programmable resources as much as possible. She added that the inflation assumptions used in the preparation of the 1994-1995 budget had projected 4 per cent inflation for headquarters costs and 6 per cent for field office costs.

42. In response to the question raised concerning UNFPA cash balances, the Director, DFPA, mentioned that unspent UNFPA resources were invested and managed by UNDP and that details pertaining to the average balances on those accounts would be provided to the delegation that made the inquiry.

43. As requested by several delegations, the Director, DFPA, provided the criteria used for designating the level of UNFPA Country Director posts. She also provided additional information concerning the appraisal system of staff members and described the Fund's new Performance Appraisal Review (PAR) system. The Director also pointed out that since 1987 the decentralization of approval authority and national execution had gathered pace. Consequently, a UNFPA Country Director was required to discharge a number of complex and sensitive responsibilities. They included, among others, providing policy advice at the highest levels; coordinating population assistance; providing technical expertise; serving as an advocate on population issues; managing the development, monitoring and evaluation of population programmes and, finally, administering a field office. She also indicated that, in those field offices for which UNFPA had proposed that the post of Country Director be upgraded, the Country Director post at the D-1 level would not be higher than the post of the Resident Coordinator. In response to the direct request of several delegations and in order to put the UNFPA proposal in proper perspective vis-à-vis other United Nations agencies, the Director informed the delegations that currently over 28 per cent of the heads of UNICEF field offices were at the D-1 level and 24 per cent were at the D-2 level. For UNDP, the majority of its heads of field offices were at the D-1 level and 24.3 per cent were at the D-2 level. If the Fund's proposals were approved by the Governing Council, only 20 per cent of the heads of UNFPA field offices would be at the D-1 level and none at the D-2 level.

44. In answer to the question concerning the transfer of D-1 posts when the incumbent was reassigned, the Director, DFPA, commented that the original six D-1 posts had not been transferred and were still based in Bangladesh, China, Ethiopia, India, Kenya, and Thailand. The new D-1 posts being proposed were for Egypt, Mexico, Nigeria, Pakistan, the United Republic of Tanzania, and Uganda. These posts, as for all posts in the Fund, were not transferable. Nevertheless, she observed that, in 1987, at the time of the approval of the six existing D-1 posts, it was understood by BFC and by UNFPA management that it would not always be possible to restrict the assignment of D-1 level staff to those six posts. However, with an additional six posts, it would be easier to maintain the assignments to the approved D-1 duty stations.

45. Commenting on the downgrading of the three senior management posts, the Director, DFPA, stated that those proposals had been included in the budget upon the request of the United Nations Secretary-General in the context of his restructuring plans. At the same time, the upgrading of the six D-1 posts in the field had also been submitted to, and found acceptable by, the Secretary-General as in keeping with his efforts towards further decentralization and the strengthening of field-office activities.

46. Commenting on the establishment of an office in Eritrea, the Director, DFPA, mentioned that UNFPA was acting within the framework of the Secretary-General's efforts to ensure a unified United Nations presence there.

47. On the subject of the leasing of headquarters premises, the Director commented that the current UNFPA headquarters lease would run out at the end of 1995. However, negotiations on the renewal of the lease had not yet commenced due to the ongoing discussions concerning the possible relocation to Bonn, Germany. With reference to the tax issue, it was mentioned that the United

Nations Secretariat was organizing a meeting the current month to discuss, inter alia, that and related matters with relevant parties.

48. With reference to the Contraceptive Requirement and Logistics Management Unit, the Director replied that, for the time being, UNFPA intended to continue those activities as a project, and that its status would be reconsidered in the future in the light of the funding situation and other factors.

49. In response to the question raised by one delegation concerning the effect of ICPD on the normal work of UNFPA, the Director stated that ICPD had its own secretariat separate from that of UNFPA. Nevertheless, some staff members, for exa le, the Executive Director, performed functions for both the ICPD as well as t Fund. She added that staff members with such dual roles would be working yet h rder than they normally do in order to fulfil both duties.

50. Referring to the proposed revisions to the financial regulation on procurement, the Director, DFPA, stated that the approach with regard to procurement income was in line with the recommendations of the Fund's external auditors. Additionally, it was stated that, since the new cost-sharing arrangements were supplementary to those already established, it was anticipated that the introduction of such arrangements would have a positive effect, if any, on project funding.

Recommendation of the Committee

51. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decisions:

United Nations Population Fund: financial, budgetary and administrative matters

The Governing Council,

Having considered the biennial budget estimates for the administrative and programme support services for the biennium 1994-1995 (DP/1993/35), the annual financial review, 1992 (DP/1993/36), the audit reports (DP/1993/37) and the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1993/38),

1. Takes note of the annual financial review, 1992 (DP/1993/36) and, in the context of Governing Council decision 93/29, requests the Executive Director to include in future annual financial reviews an overview of the cost-sharing contributions and their distribution among programme areas;

2. Also takes note of the comments of the Executive Director in document DP/1993/37 concerning the report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1991 (A/47/5/Add.7);

3. Notes the detailed progress as reported in document DP/1993/37 on measures taken to implement the recommendations of the Board of Auditors on

management issues, in accordance with General Assembly resolution 47/211 of 23 December 1992, as summarized in part II of the Official Records of the Forty-seventh General Assembly (A/47/5/Add.7, para. 6);

4. Calls upon the Executive Director to continue consultations with executing agencies and governments, with a view to expediting their submission of audited financial statements on activities they execute on behalf of the United Nations Population Fund and urges that consideration be given to the increased use of mutually acceptable commercial audit firms to facilitate this process;

5. Requests the Executive Director to provide the Governing Council with a summary of the significant observations of the external auditors of the United Nations Population Fund executing agencies, together with corrective action taken by the agencies;

6. Urges the Executive Director to continue to pay close attention to the need for avoiding duplication of procurement capacities that already exist in the United Nations system and to continue to act in line with the announcement of the Secretary-General of December 1990 encouraging coordinated procurement among the agencies and organizations of the United Nations system;

7. Expresses concern at the increased ratio of administrative costs to programme delivery that has occurred so far in the current biennium, while recognizing the efforts of the Executive Director to curtail administrative costs by realizing savings in the amount of $7 million in the 1992-1993 administrative and programme support services budget;

8. Encourages the Executive Director to take the necessary measures to keep to a minimum the level of administrative expenditure, particularly in the event that forecast levels of income are not realized;

9. Requests the Executive Director to include in the annual financial review a progress report on relevant aspects of the implementation of the administrative and programme support services budget, including any measures taken to reduce it;

10. Urges the Executive Director to issue and implement comprehensive and specific guidelines in order to delineate appropriately programme, programme-support and administrative expenditures;

11. Takes note of the progress being made in the implementation of the strategy of office automation, as described in the report of the Advisory Committee on Administrative and Budgetary Questions, and requests the Executive Director to report to the Governing Council at its forty-first session (1994) on further administrative cost savings achieved;

12. Requests the Executive Director, while continuing the implementation of the strategy of office automation, to take into account the need for other automation systems to be compatible with those used elsewhere in the United Nations system, particularly with those being developed by the United Nations Integrated Management Information System project, as well as at the field level;

13. Reconfirms paragraph 19 of decision 91/36 of 21 June 1991 to maintain the level of the operational reserve at 20 per cent of general resources income;

Budget estimates for the biennium 1994-1995

14. Approves appropriations in the amount of $120,092,200 gross, to be allocated from the resources indicated below to finance the 1994-1995 biennial budget for administrative and programme support services, and agrees that the overhead credits available to the United Nations Population Fund in the estimated amount of $6,500,000 and the miscellaneous income from trust funds for support services in the amount of $500,000 shall be used to offset the gross appropriations, resulting in net appropriations of $113,092,200, as indicated below:

1994-1995 biennial budget

(Thousands of dollars)

Programme appropriations	
Executive direction and management	5 646.1
Administration and information and external relations services	32 018.5
Programme planning, appraisal and monitoring	28 970.5
Field programme support	53 457.1
Total gross appropriation	120 092.2
Less: Estimated credits and income	7 000.0
Total net appropriations	113 092.2

15. Authorizes the Executive Director to transfer credits between programmes within reasonable limits, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions, for the biennium 1994-1995 and requests her to report thereon to the Governing Council;

16. Endorses the proposals of the Executive Director with regard to the downgrading of the post of the Deputy Executive Director (Policy and Administration) from the Assistant Secretary-General to the D-2 level; that of Director of the Division for Arab States and Europe from the D-2 to the D-1 level; and that of Chief of the Resource Development Unit from the D-1 to the P-5 level, which are in line with the restructuring process of the Secretary-General, and requests the Executive Director to ensure that the downgrading of the post of the Director of the Division for Arab States and Europe will not negatively affect the size and implementation of the programmes in that region;

17. Takes note of the redeployment of three Country Director posts and two International Programme Officer posts, as well as of the redeployment of two headquarters Programme Officer posts to the field;

18. Approves:

(a) The establishment of an office in Eritrea in 1995 to be staffed by one Country Director at the P-5 level and four national staff - one National Programme Officer, one National Programme/Finance Assistant, one secretary and one driver - which should also contribute to the efforts of the Secretary-General to bring about a unified United Nations presence in that country;

(b) The establishment of 31 additional local posts in the field, comprising 11 National Programme Officers and 20 General Service posts;

(c) The upgrading of six International Programme Officer posts from the P-3 to the P-4 level;

19. Also approves, taking into account paragraph 24 of document DP/1993/35 as well as the need to keep administrative expenditure to a minimum, in accordance with paragraph 8 of the present decision, the upgrading of up to four Country Director posts from the P-5 to the D-1 level, based on the following minimum criteria:

(a) All D-1-level posts will be in countries which either have one of the 20 largest country programmes or in countries where exceptional circumstances justify a D-1-level appointment;

(b) Account will be taken of the number of staff members in the office, the degree of national execution, the complexity of the population programme in specific countries and the need to be consistent with paragraphs 38 and 39 of General Assembly resolution 47/199 of 22 December 1992;

(c) A biennial report will be submitted by the Executive Director in the budget documents;

20. Invites the Executive Director to make further proposals regarding the level of Country Director posts in the context of the APSS budget for the biennium 1996-1997, taking into account the need to retain staff with field experience and to improve further their quality.

United Nations Population Fund: Financial Regulations

The Governing Council,

Having considered the report of the Executive Director on the proposed revisions to the Financial Regulations of UNFPA (DP/1993/63);

Approves the following Financial Regulations:

Article V - TRUST FUNDS

Regulation 5.4: Funds received by UNFPA under Regulation 14.6 for procurement of supplies, equipment and services on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations shall be treated as trust funds.

Article XIV - INTERNAL CONTROL

Regulation 14.6: Supplies, equipment and services may be provided by UNFPA under procurement arrangements on behalf and at the request of Governments, specialized agencies or other intergovernmental or non-governmental organizations, where such supplies, equipment and services are required for purposes related to UNFPA activities and are consistent with the aims and policies of UNFPA, on the basis of full payment in advance of the procurement activities, to cover all costs, including insurance and service fees, connected with the procurement of such supplies, equipment and services.

Article II - DEFINITIONS

Regulation 2.2 C (vi): "Cost-sharing" shall mean an arrangement by which the costs of projects that are normally charged to UNFPA regular resources, including the reimbursement of the related administrative and operational service costs paid to executing agencies, are covered in full or in part by a contribution or contributions from the recipient Government, or from one or more Governments other than the recipient Government, or from an organization or organizations of the United Nations system, or from intergovernmental institutions or agencies not part of the United Nations system. Such arrangement may be made on the following basis:

- Project cost-sharing whereby the contribution relates to a specific project;

- Programme cost-sharing whereby the contribution relates not to a specific project but to all or several projects in a recipient country or region; and

- Third-party cost-sharing, which can be either project or programme cost-sharing, whereby the contribution is paid by one or more entities other than the recipient Government.

Article IV - UNFPA FUNDS

Regulation 4.12: The Executive Director is authorized to enter into project, programme and/or third-party cost-sharing agreements, provided that such cost-sharing arrangements have been accepted by the recipient country or countries, subject to such principles as the Governing Council may establish.

Regulation 4.13: Cost-sharing agreements and contributions thereunder shall be subject to the following conditions:

(a) Contributions would be denominated for accounting purposes in United States dollars; however, UNFPA would accept payment in the local currency of a recipient Government to the extent that such currency could be used to meet project expenditure requirements;

(b) Contributions would be paid pursuant to a written agreement made between the contributor and UNFPA. Such agreement would specify that the contributions should be paid in advance of the implementation of planned activities. All third-party contributions would be accepted subject to the agreement of the recipient Government;

(c) In case of default in making the payments required under subparagraph (b) above, UNFPA would be under no obligation to provide funds from its regular programmable resources for any of the activities planned under the cost-sharing agreement.

52. The Governing Council subsequently adopted decisions 93/28 and 93/29.

CHAPTER II. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

A. Annual review of the financial situation, 1992

53. For its consideration of item 3 (a), the Budgetary and Finance Committee had before it the report of the Administrator contained in documents DP/1993/44, DP/1993/44/Add.1, DP/1993/44/Add.2 (English only) and DP/1993/44/Add.3 (English only).

54. The Associate Administrator introduced the item, noting that the report provided the following information: a comprehensive review of the financial activities of UNDP during 1992; forecasts for 1993 and 1994; coverage of supplementary activities; a report on trust funds established by the Administrator during 1992; and a report on the status of all trust funds established by the Administrator since 1981.

55. He noted that while total expenditures had exceeded $1 billion in 1992, expenditures had decreased for the first time in eight years. He explained that the increase in contributions during 1992 reflected an extremely high payment rate by Member States, for which the Administrator was thankful, and also that 1992 voluntary contributions totalling $1,182 million included $105 million paid by several Governments for 1991 pledges. These factors had resulted in an increase in the balance of general resources held by UNDP. He stressed that based on current projections, the excess of expenditure over income could not be sustained and that the balance of general resources could only decrease in the foreseeable future.

56. In presenting forecasts for 1993 and 1994, he indicated that contributions were expected to decline by $143 million, or 13.5 per cent from 1992 levels or $230 million less than the 1993 target assumed in decision 90/34 on the fifth programming cycle. In the light of present forecasts, the Administrator had

reduced the expenditure planning framework to 75 per cent of established indicative planning figures (IPFs) in the interests of prudent financial management.

57. The Associate Administrator noted the increase in supplementary activities and in particular that of cost-sharing, which amounted to 22 per cent of total programme expenditure in 1992. He noted the Administrator's suggestion to discontinue annual reporting on the Special Measures Fund for the Least Developed Countries (SMF/LDC); the request for additional support costs from the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the fact that the World Meteorological Organization (WMO) had not provided a request to consider its request for additional support costs, which had been deferred by the Governing Council in 1992.

Summary of the discussion of the Committee

58. Several members of the Committee agreed that the reduction in planned expenditure targets was currently particularly appropriate in view of the reduction in the level of resource anticipated. Other members expressed their concern regarding the impact of such action on country programmes and the possibility that existing programmes would be terminated. One member referred to a previous proposal calling for predictable resource flows to UNDP. Unfortunately, these had not materialized. Several delegates expressed concern over the low level of resources.

59. Several members raised questions regarding the low investment yield in 1992 and, expressing concern regarding the need to minimize losses due to fluctuations in exchange rates and recalling previous audit comments on the investment periods of the portfolio, requested information on the present structure of the UNDP investment portfolio and additional information on its investment policy.

60. Most members agreed to the additional support costs requested by UNESCO. One member indicated that it would not be possible to review the WMO request without additional information. Most members also agreed to discontinue annual reporting on the SMF/LDC until a final report was provided upon the closure of the Fund. One member, noting that the Reserve for Field Accommodation had disbursed more than the $25 million authorized, indicated that the Administrator should exercise greater caution.

Response of the Administration

61. The Associate Administrator responded to the questions on programme issues. He pointed out that it should be possible in most cases to absorb the reduction in IPF entitlements without having to resort to reductions in budgets that had already been approved, since at that stage in the programming cycle, total approvals for UNDP as a whole had reached only 68 per cent of the revised entitlements. There were a few programmes, however, where approved budgets already exceeded 75 per cent of the IPFs, and it would be necessary in those cases either to extend the duration of some projects into the sixth programming cycle or reduce some budgets, as appropriate, to bring the total commitments in line with available resources.

62. The Director of Finance noted the comments on the expenditure that had exceeded the agreed level for the Reserve for Field Accommodation and said that the level would be monitored closely. In the case in question, the decision to exceed the limit had been taken in order not to delay construction and in the best interests of UNDP and its Joint Consultative Group on Policy (JCGP) partners, who were committed to the joint premises. Collection of the amounts due from the partners would proceed as fast as possible.

63. The reductions in 1992 of support costs paid to executing agencies were in line with mandated levels of reimbursement and reflected the actual pattern of expenditures by the different agencies and the proportion of total expenditures under national execution.

64. The Director of Finance agreed with the views of delegations on the need for continued prudent financial management and pointed out that the estimates of balances of general resources were only for the year end and that during the course of any year balances could fluctuate considerably. That reflected the very different patterns of cash outflows, which tended to be regular, and cash inflows, which were less predictable and tended to be skewed towards the second half of the year. Thus, year-end cash balances could be reduced substantially in the first half of any year before any substantial amounts of voluntary contributions were received from donors. The balance of general resources forecast for end-1994 was, therefore, a best estimate of a minimum acceptable level for operational requirements. In the light of the unpredictable cash flow fluctuations and the changing levels of available cash, the task of investment management was not an easy one. The activity was undertaken by a team of professionals under the direction of the Treasurer, who would provide further details.

65. The Deputy Director, Division of Finance, and Treasurer provided an overview of the UNDP investment policy and reviewed conditions existing in 1992 which had led to the results reported in 1992. Included in those were interest rates significantly lower than those prevailing in the past and substantial devaluation in the value of seven major donor currencies, which had offset higher interest rates available in those countries. He reported on the structure of the UNDP portfolio with respect to both the currency holdings and investment periods. He stated that it was highly unlikely, in view of the level of funds currently held by UNDP, prevailing interest rates and the anticipated further strengthening of the dollar, that UNDP investment earning could compensate for the reductions in pledges that had occurred.

Recommendation of the Committee

66. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision:

The Governing Council

1. Takes note of the report of the Administrator on the annual review of the financial situation (DP/1993/44, and Add.1-3) and the observations and comments made thereon;

2. Notes with deep concern the level of resources expected to be available in 1993 and 1994;

3. Urges all Governments to increase their contributions to the United Nations Development Programme in line with the planning assumptions in paragraphs 2 and 3 of its decision 90/34 on the fifth cycle (1992 to 1996);

4. Takes note of the Administrator's efforts to develop appropriate plans and strategies for expenditure reductions necessitated by the reduced resource flows and requests the Administrator to continue to monitor the situation carefully in order to ensure the continued financial viability and to protect the integrity of the Programme;

5. Approves the retroactive request of the United Nations Educational, Scientific and Cultural Organization for additional support costs arising from the significant appreciation of the French franc relative to the United States dollar over the period 1989 and 1990;

6. Notes the intention of the Administrator to discontinue annual reporting on the Special Measures Fund for the Least Developed Countries and to provide a final report upon the closure of the Fund.

67. The Governing Council subsequently adopted decision 93/34.

B. Revised budget estimates for 1992-1993 and budget estimates for 1994-1995

68. For its consideration of agenda item 3 (b), the Budgetary and Finance Committee had before it the following documents:

Revised budget estimates for the 1992-1993 biennium and budget estimates for the biennium 1994-1995 (DP/1993/45), and the supplementary tables to document DP/1993/45 contained in document DP/1993/BFC/CRP.1;

Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1993/46).

69. The Administrator introduced the item by stressing that in times of increased competition for scarce resources, there was an urgent need for recommitment to development activities. In such times, UNDP had a special responsibility to ensure that budgets were carefully conceived and managed. It was against that background that the Administrator summarized the important elements in the budget proposals as follows.

Revised estimates for 1992-1993

70. The final revised estimates amounted to $447.6 million (net) for UNDP core activities and reflected a net decrease of $1.5 million. No volume adjustments were introduced with regard to the core budget.

71. The revised estimates also included a volume reduction of $438,000 relating to the application of the staffing formula for the United Nations Volunteers

(UNV). A volume increase of $526,000 relating to the core OPS budget and $3.2 million for Office for Project Services (OPS) extrabudgetary activities were also included. The increases related to programme growth and were fully funded within earned income.

Budget estimates for 1994-1995

72. With regard to the 1994-1995 estimates, the Administrator stressed the five principle objectives of the budget strategy:

(a) Cost containment, bearing in mind overall resource constraints;

(b) The critical importance of maintaining the global network of field offices;

(c) Management initiatives designed to rationalize business functions, delegate authority, enhance accountability and thereby strengthen the management capacity of the field network;

(d) Selective response to priority areas, specifically the follow-up to the United Nations Conference on Environment and Development (UNCED) and the HIV/AIDS pandemic;

(e) Support for the overall restructuring initiatives of the Secretary-General.

73. Bearing those objectives in mind and taking into account that programme delivery would remain essentially level in 1994-1995 as compared to 1992-1993, the Administrator proposed a net volume reduction in the core budget of $46.5 million comprised of $41.8 million in volume reductions and $4.7 million in increased government local office cost contributions.

74. The net effect of the proposed reductions was a net 1994-1995 core budget that was $300,000 over the approved 1992-1993 core budget and some $500,000 under the original 1992-1993 budget. The proposals would result in the elimination of 360 core posts. Specifically, the posts affected were: 19 Professional posts at headquarters; 39 General Service posts at headquarters; 50 international Professional posts in the field; 46 field-service level posts in the field; and 206 local General Service posts in the field. Included in the reduction, were 2 at the Assistant Secretary-General level and 10 (9 net) posts at the D-2 level.

75. Although no special funding allocations were being requested for the transition into the new biennium, the Administrator did request some flexibility with regard to the use of accrued savings in 1992/1993. It was noted that ACABQ had no objection to the proposal.

76. The Administrator drew the attention of the Committee to two of his cost-reduction initiatives. The first was the restructuring of the Bureau of Finance and Administration (BFA) and the second concerned the regional service centres.

77. With regard to the UNDP presence in Europe and the Commonwealth of Independent States, the Administrator's proposal of $4.8 million reflected an adjustment of the original base of 18 months to 24 months; a volume increase for an additional Professional post in Uzbekistan; and an adjustment for inflation.

78. In response to Governing Council decision 92/37 of 26 May 1992, in which the Council requested the Administrator to review a number of aspects of the UNDP field office structure, the Administrator stated that UNDP remained firmly convinced that the field office network represented an invaluable and cost-effective asset to the whole of the United Nations operational system and was an essential vehicle for the implementation of General Assembly resolution 47/199.

79. The issue of non-IPF related field office workload was the subject of a detailed empirical study undertaken in 1992. The results indicated that some 29 per cent of field office workload was related to support to the operational activities of the United Nations. As was discussed at the Governing Council at its thirty-ninth session, that amount was currently presented as a separate line in the appropriation decision.

80. Turning to programme development activities, the Administrator outlined his proposals with regard to the establishment of networks of local national officers in the areas of sustainable development and HIV/AIDS. The proposals were in direct response to General Assembly resolution 47/199 and the Administrator emphasized that the total amount of $2.8 million was modest in nature and, in his view, merited favourable consideration.

81. The Administrator gave an update on the status of the OPS budget for 1992-1993 and 1994-1995. He referred to the report on the task force on the transfer of OPS from UNDP to the United Nations. One of the recommendations included in the report was that the OPS budget would continue to be submitted, in future by the Under Secretary-General for the Department for Development Support and Management Services, to the Budgetary and Finance Committee of the Governing Council. The Administrator stated that it would be for the Governing Council and the General Assembly to agree or disagree with the proposal.

82. To be consistent with the recommendations of the task force, it was necessary to ensure that the 1994-1995 OPS budget be submitted to the Governing Council at its current session. That was being done in full cooperation with the United Nations on the understanding that the United Nations would be in a position to submit revised estimates for OPS in 1994. That was consistent with past practice, which permitted the presentation of revised OPS budget estimates on an annual basis in order to take into account the latest income projections.

Summary of discussions in the Committee

83. Many delegations welcomed the Administrator's comprehensive and transparent budget presentation and voiced their appreciation and support for the thrust of the budget strategy for the 1994-1995 biennium and the resultant volume reductions. Delegations expressed their appreciation for the report of ACABQ. There were certain areas of the budget where delegations required further information or clarification. Some delegations suggested that the budget document could be further improved by the inclusion of a concise statement of

the Programme's current and projected income as recommended by ACABQ. One delegation suggested the inclusion of overall expenditure data and the consideration of a greater consistency of formatting between budget documents and financial reports.

Revised estimates for 1992-1993

84. With regard to the revised 1992-1993 estimates, general support was given to the Administrator's proposals. A few delegations supported the ACABQ opinion that the current structure of UNV be reviewed to provide the capacity to respond to the expanded role of UNV in peace-keeping and humanitarian assistance. One member noted and another welcomed the progress made in streamlining the administrative functions of the UNV programme. Another member raised the issue of whether the administrative costs of UNV should continue to be charged to UNDP general resources.

85. A number of delegations noted that the budgetary proposals for OPS should be viewed in the overall context of the Governing Council's review of the proposed transfer of OPS to the United Nations Secretariat. Some delegations stressed the importance of maintaining the self-financing principle and enhancing the efficiency of OPS operations.

Estimates for 1994-1995

86. A number of delegations expressed support for the establishment of the new Office of Budget and Management as well as for the regional service centre concept.

87. One delegation indicated that it would be in a better position to assess the budgetary proposals for the Humanitarian Programme after receiving further clarification as to the staffing and other expenditures related to the Department of Humanitarian Affairs and the comprehensive plan called for in Governing Council decision 92/20. The delegation stated that the budgetary presentation of the Humanitarian Programme lacked clarity with regard to staffing proposals and sources of financing.

88. Some delegations stated that the United Nations and UNDP had a role to play in supporting the Baltic countries, the Commonwealth of Independent States and other countries in transition in Europe. Some delegations felt, however, that the administrative costs should be kept to a minimum in view of overall limited resources. In order to be able to make an informed decision on the proposals, delegations requested more information on the mobilization of extrabudgetary resources for the financing of field offices, the involvement of other United Nations organizations in the establishment of common United Nations offices in the region, the reimbursement of IPF resources used and the allocation of resources to countries with the lowest relative level of per capita gross national product (GNP) and the highest level of programme resources.

89. One delegation stated that the absence of information in table V.8 of document DP/1993/45 on cost estimates and sources of financing for the Russian Federation should not prejudge possible future arrangements with regard to the establishment of an integrated office of the United Nations. Another delegation

provided information on the work undertaken by the newly established office in Latvia.

90. One delegation believed that further reductions could be made in senior management positions in view of the number of officials at the Director level and above as compared to the total number of Professional staff. One delegation indicated that it agreed with the criteria expressed in paragraph 52 of DP/1993/45 on the allocation of posts at the Assistant Secretary-General level to the regional bureaux. Another delegation, however, speaking on behalf of a group of countries, stated that there was no justification for differentiating between regional groups and rejected the criteria applied by the Administrator for the downgrading of the Assistant Secretary-General post in the Regional Bureau for Arab States.

91. A few delegations made observations on the size of the budgetary reductions in Latin America and the Caribbean region. One delegation had some problems understanding why the Bureau for Latin America and the Caribbean had chosen not to reduce the number of international staff in the field. Other delegations stated that the proposed reductions were too large and that, relatively, the region seemed to be most affected.

92. One delegation questioned the procedure regarding the waiver for contributions towards local office costs and requested that the waiver percentage for his country be reviewed. Another delegation requested some additional information.

93. With regard to programme development activities, comments centred on the Administrator's proposals with regard to the establishment of national officer posts in support of sustainable development and HIV/AIDS programmes. Several delegations indicated that the proposal with regard to national officers to support the HIV/AIDS programme would need to be reviewed more carefully in view of the World Health Assembly's request for a study of a joint and co-sponsored United Nations programme on HIV/AIDS. Furthermore, additional information would be required on how the proposed HIV/AIDS network would conform with the WHO Global Programme on HIV/AIDS and the newly formed task force on HIV/AIDS coordination. Some delegations questioned the criteria for the selection of those two priority areas as well as the criteria for the allocation of resources among the various regions. One delegation questioned the extent to which needs at the country level had been taken into account. One delegation stated that a further definition of the criteria for programme support and development activities expenditures was needed. Finally, regarding Capacity 21, one member expressed concern about its funding levels and suggested that it should perhaps be funded from core resources starting with the next phase.

94. A number of delegations supported the introduction of a new appropriation line to reflect the work performed by UNDP field offices in support of United Nations operational activities. A few delegations pointed out that while they agreed with the proposal, the issue should, in the long term, be reviewed, taking into account the future role of UNDP.

95. Delegations endorsed the Administrator's proposal for using savings from the 1992-1993 budget for transitional measures required for the implementation of the 1994-1995 budget strategy.

Response of the Administration

96. The Assistant Administrator thanked delegations for their positive comments and their constructive remarks and suggested that information in response to most of the questions would be best provided at the informal meetings, in particular with regard to clarifications on the proposals on the UNDP field presence in the Commonwealth of Independence States, the Humanitarian Programme and the establishment of national Professional posts to support sustainable development and HIV/AIDS programmes.

97. With regard to further improvements in the budget presentation, the Assistant Administrator agreed to include in future a concise statement of the Programmes's current and projected income. As to expenditure data, the Assistant Administrator referred to the information already contained in table V.1 of document DP/1993/45 on the use of UNDP resources. Adding additional expenditure data would be difficult since at the time of preparing the budget proposals the data was not yet available. The expenditure data, however, were incorporated in other documents and the financial statements.

98. With regard to the Humanitarian Programme, the Assistant Administrator confirmed that the proposed continuation of two project-funded posts at headquarters would be against available SPR resources.

99. With regard to questions on the reductions in posts at the senior management level, the Assistant Administrator stated that management had made the proposals in response to Governing Council decisions and to the overall restructuring initiatives of the Secretary-General.

100. With regard to the number of staff at the Director level and above compared to the total number of Professional staff, the Assistant Administrator indicated that such comparison should also take into account the number of local Professional staff in the field. That yielded a ratio which favourably compared with overall ratios in the United Nations system.

101. With regard to the rationale behind the proposal to downgrade one of the posts at the Assistant Secretary-General level, the Assistant Administrator indicated that the criteria applied related strictly to the size of the programme and number of offices covered by the regional bureau concerned. That was seen as the only viable objective criterion.

102. With regard to the allocation of core resources to offices in the Commonwealth of Independent States, the Assistant Administrator referred to the information contained in the document on estimated costs and sources of financing. The amount of extrabudgetary resources expected to be generated in a number of countries with relatively higher GNP per capita and lower IPF would result in relatively lower allocation from core resources to cover office costs. As to the possible use of IPF resources for office costs in some countries in 1993, the Assistant Administrator stated that it should be seen against the future mobilization of additional programme resources in the form of co-financing. In response to comments made by one delegation regarding the participation of UNDP in an integrated office in the Russian Federation, the Assistant Administrator noted the possibility of government and extrabudgetary resources being provided.

103. With regard to observations made on the core budget reduction in the Latin America and Caribbean region, the Assistant Administrator stated that the overall budget reductions were based on the principle of burden-sharing while also taking into account relevant Governing Council decisions on the distribution of core budget resources relative to core programme resources, as explained in paragraph 95 of document DP/1993/45. The reductions were in accordance with the budget strategy developed by the Regional Bureau for Latin America and the Caribbean, which placed emphasis on financing office costs through the mobilization of extrabudgetary resources and increased government contributions to local office costs.

104. With regard to waivers applicable to government contribution towards local office costs, the Assistant Administrator referred to the obligation of Governments as set forth in the Standard Basic Agreement. In accordance with the approach adopted by the Governing Council, the GNP per capita parameter used for determining the waiver percentage was the same as that used for Governing Council decisions on the allocation of IPFs.

105. With regard to the national officer posts for support to sustainable development and HIV/AIDS programmes, the Assistant Administrator stated that the proposals had been made in response to Governing Council decisions and concerns expressed in different forums regarding the existing capacities at the field level. The type and distribution of posts did take into account requirements existing at the field level. The Assistant Administrator agreed that close collaboration and coordination with other United Nations specialized agencies was important and was being maintained.

Further comments

106. Upon adoption of the recommendations by the Governing Council, one delegation informed the meeting that it was regrettable that, in the spirit of consensus, the Administrator's proposal on senior management structure was not endorsed in its entirety as it represents an important and constructive step towards the Secretary-General's efforts on restructuring.

Recommendations of the Committee

107. Following its consideration of this item, and after agreeing to an amendment to paragraph 6 of section II, proposed by one delegation, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

I

Revised budget estimates for the biennium 1992-1993

The Governing Council,

Having considered the revised budget estimates for 1992-1993 of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1993/45),

Recalling its decision 91/46 of 21 June 1991, in particular section thereof, regarding the presentation budget estimates,

1. Takes note of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1993/46);

2. Welcomes the changes which the Administrator has introduced in the presentation of the biennial budget;

3. Requests the Administrator, in line with the recommendation made by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to include a concise statement of the Programme's current and projected income in the executive summary of future submissions of the biennial budget estimates;

4. Invites the Administrator to consider further changes to achieve consistency of formatting between the budget documents and existing financial review and expenditure reports;

5. Approves the revised budget estimates in respect of the Office for Project Services;

6. Approves the revised budget estimates in respect of the United Nations Volunteers programme;

7. Approves revised appropriations in the amount of $609,564,700 gross, to be allocated from the resources indicated below to finance the 1992-1993 biennial budget, and resolves that the income estimates in the amount of $32,000,000 shall be used to offset the gross appropriations, resulting in net appropriations of $577,564,700, as indicated below:

United Nations Development Programme revised 1992-1993 biennial budget for administrative services, programme support and development activities and trust funds

(Thousands of United States dollars)

	APPROVES:	TAKES NOTE OF:	
	Gross/net Appropriations	Estimated extra-budgetary income	Total gross/net estimates
I. RESOURCES OF UNDP			
A. UNDP core activities a/			
Headquarters b/	148 253.6	23 297.7	171 551.3
Field Offices	331 322.4	30 200.4	361 522.8
Gross UNDP core activities	479 576.0	53 498.1	533 074.1
Estimated income	32 000.0	0.0	32 000.0
Net UNDP core activities	447 576.0	53 498.1	501 074.1
B. Programme support and development activities			
Programme development activities	21 286.0	0.0	21 286.0
Project/programme implementation services			
DSS	5 788.7	0.0	5 788.7
OPS c/	32 793.3	33 269.9	66 063.2
IAPSO	5 669.4	2 681.4	8 350.8
UNV	30 728.2	1 829.0	32 557.2
National execution	2 690.6	0.0	2 690.6
Total project/programme implementation services	77 670.2	37 780.3	115 450.5
Programme support d/	2 300.0	0.0	2 300.0
Total programme support and development activities	101 256.2	37 780.3	139 036.5
C. Total resources of UNDP			
Gross resources	580 832.2	91 278.4	672 110.6
Estimated income	32 000.0	0.0	32 000.0
Net resources	548 832.2	91 278.4	640 110.6
II. RESOURCES OF TRUST FUNDS			
A. UNCDF	10 766.0	0.0	10 766.0
B. UNRFNRE and UNFSTD	4 356.6	13.6	4 370.2
C. UNSO	8 004.3	3 547.6	11 551.9
D. UNIFEM	5 605.6	446.8	6 052.4
Total	28 732.5	4 008.0	32 740.5
III. TOTAL UNDP APPROPRIATIONS			
Gross appropriations	609 564.7	95 286.4	704 851.1
Estimated income	32 000.0	0.0	32 000.0
Net UNDP appropriations	577 564.7	95 286.4	672 851.1

a/ The Administrator is permitted to redeploy between the field office and headquarters appropriation lines up to a maximum of 5 per cent.

b/ Headquarters extrabudgetary income represents income from external sources, exclusive of reimbursements to UNDP core from non-core units. The reimbursements are already included in the appropriation estimates of the non-core units.

c/ The approved appropriation is funded from UNDP General Resources.

d/ Represents UNDP contribution to CGIAR and UNDP-UNSO/UNEP joint venture.

II

Budget estimates for the biennium 1994-1995

The Governing Council,

Having considered the budget estimates for the biennium 1994-1995 of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1993/45), and taking into account the observations and comments made thereon,

Recognizing the multifaceted nature of United Nations Development Programme activities and the inherent complexity of the presentation of the biennial budget,

Recalling paragraphs 37 and 38 of its decision 91/46 concerning costs elements charged to the United Nations Development Programme budget not related to the delivery of the indicative planning figure programme,

Stressing the need to maintain an appropriate level of detail and transparency in the budget estimates,

1. Takes note of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1993/46);

A. Presentation of the budget estimates

2. Takes note of the Administrator's analysis of field office workload, as contained in paragraphs 163 to 177 of document DP/1993/45, and the estimate that 29 per cent of that workload relates to support to the operational activities of the United Nations as a whole;

3. Endorses, in this connection and without prejudice to possible future decisions on the coverage of administrative costs at the field level, the Administrator's proposal, contained in paragraph 174 of document DP/1993/45, to charge the full costs of such support to the UNDP budget and to reflect these separately by introducing a new appropriation line entitled "Support to the operational activities of the United Nations";

B. 1994-1995 core budget estimates

4. Congratulates the Administrator for applying a restrictive budget policy and welcomes his proposal to implement volume reductions in the core budget of both headquarters and field offices without negatively affecting the delivery of programmes;

5. Endorses the Administrator's proposals with regard to the senior management structure, as contained in paragraph 52 of document DP/1993/45, especially those for the maintenance of the level of the posts of Directors of Regional Bureaux, Director of the Bureau for Programme Policy and Evaluation and Director of the Bureau for Finance and Administration at the Assistant

Secretary-General level, with the exception of the proposal to downgrade the post of Director, Regional Bureau of Arab States, contained in paragraph 52 of the report of the Administrator, from the Assistant Secretary-General level to the D-2 level;

6. Requests, therefore, the Administrator to review the senior management structure of the United Nations Development Programme and, if necessary, to report to the Council at its special session in February 1994;

7. Takes note of the Administrator's proposal with regard to the establishment of the Office of Budget and Management as contained in paragraphs 64 to 67 of document DP/1993/45, reporting directly to the Assistant Administrator and Director, Bureau for Finance and Administration, to give focus and priority to cost-effectiveness, efficiency and enhanced accountability;

8. Supports the Administrator's initiatives with regard to elaborating the regional service centre concept, as described in paragraphs 102 to 110 of document DP/1993/45, in particular the involvement of commercial audit and accounting firms to provide a range of audit and accounts examination services to field offices;

9. Requests the Administrator to keep the Council informed of further developments and experience gained in this regard in the context of his revised budget estimates for the biennium 1994-1995;

10. Takes note of its decision 93/11, confirming the maintenance of the Humanitarian Programme for the biennium 1994-1995 and the allocation of special programme resources for this purpose, covering one L-5 and one L-4 post;

11. Approves the continuation of the D-2 and P-5 posts for the Humanitarian Programme, on the understanding that the programme, while reporting to the Office of the Administrator, will maintain close liaison with the Department of Humanitarian Affairs and will operate within a framework of inter-agency coordination under the leadership of the Department of Humanitarian Affairs;

12. Calls on the Administrator to include separate presentations on the Humanitarian Programme in future budget documents, clearly delineating all costs to be charged to the Programme;

13. Takes note of the report of the Administrator on the field offices in Albania, Bulgaria and Poland as contained in paragraphs 111 to 116 of document DP/1993/45;

14. Takes note of the report of the Administrator on the field presence in the Baltic States, the Commonwealth of Independent States and Georgia as contained in paragraphs 117 to 130 of document DP/1993/45, including the cost estimates and sources of financing for operations during the biennium 1994-1995;

15. Urges the Administrator, bearing in mind decision 92/43 of 26 May 1992, to follow an innovative and cost-effective approach when utilizing core resources allocated to the field presence referred to in paragraph 14 above, and to continue to give priority in determining the allocation of core

resources to those countries with the lowest relative levels of per capita gross national product and the highest level of indicative planning figure and aggregate programme resources, as well as to ensure an integrated United Nations approach and presence;

16. Requests the Administrator to conclude, as soon as possible, a formal agreement with the United Nations on the joint funding of the United Nations interim field offices in the Commonwealth of Independent States and Georgia;

17. Requests the Administrator to report on the implementation of paragraphs 15 and 16, in the context of his submission of the revised budget estimates for the biennium 1994-1995, to the Council at its forty-first session (1994);

18. Recognizes that the smooth implementation of the proposed budget strategy entails transitional costs, also taking into account that the proposed reductions follow a 15 per cent reduction in headquarters core posts in the biennium 1992-1993;

19. Approves, in this connection, the proposals of the Administrator contained in paragraphs 140 and 141 of DP/1993/45, in particular the application of savings earned in 1993 up to a ceiling of 1.5 per cent of the 1992-1993 core appropriation;

C. Programme support and development activities

20. Takes note of the report of the Administrator on programme development activities in response to paragraphs 23 to 25 of decision 91/46 and his proposals relating to programme support and development functions in the field;

21. Recognizes that the effectiveness of follow-up on the part of the United Nations Development Programme to the United Nations Conference on Environment and Development depends to a significant extent on the capacity of the Programme's global network of field offices to provide programme development and support functions, to coordinate support and to assist governments to mobilize resources;

22. Approves the establishment of 41 sustainable development national officer posts;

23. Approves, in principle, the request to establish a limited network of up to 22 National Officer posts to support the role of the Resident Coordinator/Resident Representative in the national response to the HIV/AIDS pandemic, subject to:

(a) A joint review by United Nations Development Programme and World Health Organization/Global Programme on AIDS staff, in consultation with the Management Committee Task Force on HIV/AIDS coordination, with the view to securing early agreement on the functions to be performed by the officers;

(b) A review by the Council at its special session in February 1994, of the relevance of the posts, taking into account the report of the study called

for in World Health Assembly resolution WHA 46.37 of 14 May 1993 and supported in Governing Council decision 93/14, as well as the outcome of the joint review mentioned in subparagraph (a) above;

24. Takes note of the report of the Administrator on the experiences and utilization of development support services, as contained in paragraphs 243 to 258 of document DP/1993/45;

D. Office for Project Services

25. Takes note of Governing Council decision 93/42;

26. Approves in this context, the proposed 1994-1995 budget estimates for the Office for Project Services;

E. United Nations Volunteers

27. Takes note of the Administrator's proposals, as contained in paragraphs 237 to 241 of document DP/1993/45, for streamlining the administrative functions of the United Nations Volunteers programme;

F. Trust funds

28. Approves the Administrator's budget and staffing proposals relating to the United Nations Capital Development Fund, the United Nations Development Fund for Women, the United Nations Fund for Science and Technology for Development/United Nations Revolving Fund for Natural Resources Exploration and the United Nations Sudano-Sahelian Office;

G. Other items

29. Takes note of the interim report of the Administrator on the piloting of short-term, non-permanent contracts and the zero-sum approval authority for P-1 to P-5 job classifications, in the context of human resources aspects relating to the management of change, as contained in paragraphs 131 to 134 of document DP/1993/45;

30. Requests the Administrator, in line with paragraph 13 of decision 92/37, to report to the Council at its forty-first session (1994) on experience gained with the piloting of short-term, non-permanent contracts, including consultations held with the International Civil Service Commission;

31. Decides to extend the pilot phase relating to reclassifications and to review the implementation of the pilot arrangement, including its continuation, and reclassifications made, on the basis of a substantive report which the Administrator is requested to submit in the context of the budget proposals for the biennium 1996-1997;

32. Approves appropriations in the amount of $628,421,100 gross, to be allocated from the resources indicated below to finance the 1994-1995 biennial budget, and resolves that the income estimates in an amount of $36,700,000 shall be used to offset the gross appropriations, resulting in net appropriations of $591,721,100 as indicated below:

United Nations Development Programme 1994-1995 biennial budget for administrative services, programme support and development activities and trust funds

(Thousands of United States dollars)

	APPROVES:	TAKES NOTE OF:	
	Gross/net Appropriations	Estimated extra-budgetary income	Total gross/net estimates
I. RESOURCES OF UNDP			
A. UNDP core activities a/			
Headquarters b/	149 405.4	23 396.8	172 802.2
Field Offices	239 760.2	39 006.7	278 766.9
Gross UNDP core activities	389 165.6	62 403.5	451 569.1
Estimated income	36 700.0	0.0	36 700.0
Net UNDP core activities	352 465.6	62 403.5	414 869.1
B. Programme support and development activities			
Programme development activities	25 989.5	0.0	25 989.5
Support to the operational activities of the United Nations	96 981.7	0.0	96 981.7
Project/programme implementation services			
DSS	6 225.0	0.0	6 225.0
OPS c/	36 029.6	37 167.4	73 197.0
IAPSO	6 098.5	3 013.7	9 112.2
UNV	31 707.3	391.5	32 098.8
National execution	3 161.5	0.0	3 161.5
Total project/programme implementation services	83 221.9	40 572.6	123 794.5
Programme support d/	2 300.0	0.0	2 300.0
Total programme support and development activities	208 493.1	40 572.6	249 065.7
C. Total resources of UNDP			
Gross resources	597 658.7	102 976.1	700 634.8
Estimated income	36 700.0	0.0	36 700.0
Net resources	560 958.7	102 976.1	663 934.8
II. RESOURCES OF TRUST FUNDS			
A. UNCDF	11 824.1	0.0	11 824.1
B. UNRFNRE and UNFSTD	4 243.4	13.6	4 257.0
C. UNSO	8 054.9	3 689.3	11 744.2
D. UNIFEM	6 640.0	467.1	7 107.1
Total	30 762.4	4 170.0	34 932.4
III. TOTAL UNDP APPROPRIATIONS			
Gross appropriations	628 421.1	107 146.1	735 567.2
Estimated income	36 700.0	0.0	36 700.0
Net UNDP appropriations	591 721.1	107 146.1	698 867.2

a/ The Administrator is permitted to redeploy between the field office and headquarters appropriation lines up to a maximum of 5 per cent.

b/ Headquarters extrabudgetary income represents income from external sources, exclusive of reimbursements to UNDP core from non-core units. The reimbursements are already included in the appropriation estimates of the non-core units.

c/ The approved appropriation is funded from UNDP General Resources.

d/ Represents UNDP contribution to CGIAR and UNDP-UNSO/UNEP joint venture.

108. The Governing Council subsequently adopted decision 93/35.

C. Audit reports and other matters

109. For its consideration of item 3 (c), the Budgetary and Finance Committee had before it the report of the Administrator (DP/1993/47), the note by the Administrator on the audit reports of executing agencies (DP/1993/48) and the audited accounts and audit reports of the executing agencies (DP/1993/48/Add.1).

110. The Assistant Administrator, Bureau for Finance and Administration, introduced the item, noting that UNDP was providing members with a summary overview of recommendations made by the Board of Auditors, the response in summary form provided by UNDP to the Fifth Committee; and subsequent actions or steps taken or being taken by UNDP with target dates for completion. In an update of actions taken since the preparation of document DP/1993/47, he indicated that the large majority of actions were expected to be completed by the end of the year. He further noted that slippage had occurred in a few items, such as the establishment of a decentralized property control and an inventory management system and the finalization of the instructions regarding the use of modalities for the hiring of consultants.

111. The Assistant Administrator drew attention to the reorganization and rationalization of the Bureau for Finance and Administration: the Bureau would take on direct responsibility for external audit, thus eliminating the possible conflict of interest noted previously by the External Auditors. The Assistant Administrator concluded by reiterating that UNDP took the external audit very seriously and continued to improve its efficiency and effectiveness and enhance accountability.

Summary of the discussion in the Committee

112. Several members expressed concern that the situation that had led to the qualification of the UNDP accounts had not been rectified and questioned what further steps might be taken. One member also drew attention to the fact the UNDP accounts were not maintained in accordance with generally accepted accounting principles. Several members also asked for an update on the status of the streamlining of the project appraisal/approval process since it was felt that current procedures delayed project implementation. Several members indicated concern regarding implementation of an inventory control system that would protect expendable and non-expendable property.

113. Some members mentioned the need to verify the implementation of the recommendations of the External Auditors. Members also requested information on the regional service centre concept and the practice of ex post facto approval of contracts. In addition, one member stressed the importance of proper application of rules and procedures regarding consultancy contracts. One member also noted the continuing need to monitor the Office for Project Services.

114. Some members requested confirmation that the Division for Audit and Management Review (DAMR) no longer had operational responsibilities.

115. Several members commended UNDP for the constructive and transparent approach taken in addressing the recommendations of the Board of Auditors.

Response of the Administration

116. The Assistant Administrator explained the audit process and the various stages at which the response of UNDP to the audit comments were verified. With respect to questions raised regarding an inventory system, he indicated that he felt it imperative to address all issues related to the process, including procurement, inventory management, write-offs and disposals. In that respect, he noted that headquarters procedures had been reviewed and improvements were being introduced based on decentralized management of property control with the support of a total quality team. With respect to the project appraisal/approval process, the Assistant Administrator indicated that the decision had been taken to increase the approval authority of resident representatives to $1 million and that of Bureau Directors to $3 million. The detailed procedures and guidelines were being elaborated.

117. The Assistant Administrator further explained the regional service centre concept and its possible expansion to other regions as well as of its scope of work. He also informed the Committee of the proposed reorganization of the Bureau for Finance and Administration, which would include the establishment of an Office of Budget and Management, to address specific audit issues, including follow-up and monitoring. The proposal would be presented in more detail during the discussions on the budget. He indicated that steps had been taken to limit retroactive approval of consultancy contracts to those resulting from emergency situations where procedural requirements delay the actual approval and therefore require special consideration. He indicated that, as Chief Procurement Officer, he reviewed each of the situations carefully.

118. The Administration also confirmed that DAMR no longer carried operational responsibilities. However, the Administration did consult with internal audit on a regular basis and makes use of its expertise in a preventive manner.

119. The representative of the Board of Auditors confirmed that the audit team did, in fact, review actions taken by UNDP on the recommendations of the Board of Auditors, as requested by the Fifth Committee in its decision on the audit debate. The representative of the Board of Auditors also indicated that progress had been made on the issue of generally accepted accounting principles applicable to the United Nations system, which was currently being discussed with the Panel of Auditors. In addition, he indicated that the External Auditors would also be taking up the issue of audit certificates of the executing agencies to facilitate progress on the matter.

Recommendation of the Committee

120. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision:

The Governing Council,

Having considered the financial report and the audited financial statements for the biennium ended 31 December 1991 and the report of the Board of Auditors, contained in General Assembly document A/47/5/Add.1, as well as the views of the Advisory Committee on Administrative and Budgetary Questions thereon, contained in document A/47/500,

Having also considered document DP/1993/47, containing the report of the Administrator and the descriptions and actions taken in response to its decision 92/38 of 26 May 1992 as well as General Assembly resolution 47/211 of 22 December 1992, and documents DP/1993/48 and Add.1, pursuant to its decision 92/39, containing the note of the Administrator on the audit reports of the executing agencies,

Taking into account the views and comments raised during the discussion on these matters, as well as the additional information provided by the Administrator and the Board of Auditors,

1. Expresses appreciation for the valuable work done by the Board of Auditors and for the breadth and scope of its report;

2. Notes that the Administrator has taken or is taking action to correct the situations identified by the Board of Auditors;

3. Notes with satisfaction that the standard basic executing agency agreements have now all been approved or signed;

4. Commends the Administrator for the constructive, proactive and transparent approach taken in addressing the recommendations of the Board of Auditors, as acknowledged by the General Assembly in paragraph 11 of its resolution 47/211 of 22 December 1992;

5. Notes the progress made, as reported to the Governing Council by the Board of Auditors, on the issue of generally accepted accounting standards and principles applicable to the United Nations system;

6. Notes the Administrator's confirmation that the Division of Audit and Management Review does not have operational responsibilities, thus eliminating any potential conflict of interest on its part;

7. Also notes with approval the proposal of the Administrator to institutionalize a regular mechanism to follow up the external and internal audit recommendations as part of the proposed establishment of the Office of Budget and Management within the Bureau for Finance and Administration;

8. Supports the Administrator's initiatives to expand audit coverage through the regional service centre concept;

9. Urges the Administrator to continue to take up the issue of the need for timely audited statements from executing agencies in the appropriate inter-agency forums;

10. Also urges the Administrator to ensure strict adherence to established rules and procedures regarding the hiring of consultants and to monitor carefully the implementation of the revised instructions planned to be issued in 1993;

11. Commends the Administrator on the actions taken after the thirty-ninth session of the Governing Council in streamlining project appraisal and approval procedures;

12. Requests the Administrator to continue to streamline the project appraisal and approval procedures of the United Nations Development Programme;

13. Also requests the Administrator to intensify efforts to finalize the measures that address the recommendations of the Board of Auditors regarding the need to establish adequate property control, including accountability;

14. Expresses an interest in receiving any subsequent comments from the Board of Auditors concerning action taken by the United Nations Development Programme to respond to the recommendations of the Board.

121. The Governing Council subsequently adopted decision 93/36.

D. Financial Regulations: matters on which consensus has not yet been reached

122. For its consideration of item 3 (d), the Budgetary and Finance Committee had before it the report of the Administrator contained in document DP/1993/49.

123. The Deputy Director, Division of Finance, and Treasurer introduced the item, noting that the issue of the payment of contributions in non-convertible currencies by non-recipient donors had been overtaken by events. All of the holdings of accumulated currencies from donor countries had been utilized so that the only accumulations currently held ($13.6 million) were in recipient country currencies. He noted that the Administrator believed it appropriate to have some definition of the payment of voluntary contributions to the Programme in the Financial Regulations, with some indication of the recourse available to the Administrator should an accumulation arise in the future.

Summary of the discussion in the Committee

124. Members agreed that since the problem had been resolved, appropriate amendments to the Financial Regulations could be made at the current session.

Recommendation of the Committee

125. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision:

The Governing Council,

Taking note of the report of the Administrator on the Financial Regulations (DP/1993/49) and the observations and comments made thereon,

1. Approves as Financial Regulation 4.6 (renumbered as appropriate) the following:

"In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in non-convertible currencies are requested to pay a gradually increasing share of their contributions in convertible currencies."

2. Approves as Financial Regulation 4.7 (renumbered as appropriate) the following:

"Meanwhile, entities headquartered in a net donor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased under the Programme only in the currency of that country where such a currency is accumulated and until such accumulation is used; conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in a convertible currency."

3. Notes that in accordance with the above, the Financial Regulation currently numbered 4.7 will be renumbered 4.8.

126. The Governing Council subsequently adopted decision 93/37.

E. Procurement from developing countries

127. For its consideration of item 3 (e), the Budgetary and Finance Committee had before it the report of the Administrator (DP/1993/50).

128. The Assistant Administrator and Director, Bureau for Finance and Administration, introduced document DP/1993/50. He reported that United Nations system-wide procurement from developing countries continued to increase, showing a large volume increase of $178 million between 1991 and 1992. He also clarified that even though the report showed that such procurement from the United Nations system appeared to be stabilizing at around 30 per cent of total procurement, that was partly due to the fact that the data for 1992 included recent increases in procurement related to emergencies and peace-keeping. A preliminary analysis of the available data showed that for regular operational activities, i.e., excluding peace-keeping and emergency operations, total United Nations system-wide procurement from developing countries in 1992 would, in fact, be around 35 per cent of total procurement.

129. The Assistant Administrator attributed the excellent progress to the various efforts made by the system, including the publications of the Inter-Agency Procurement Services Office (IAPSO) and its research and development activities, as well as to the increased use of national execution. In that connection, he informed the Committee that the Inter-Agency Procurement

Working Group (IAPWG), in its April 1993 meeting, had confirmed the importance of the role that IAPSO was performing.

130. The Assistant Administrator brought to the Committee's attention the constraints continuing to hamper or limit further progress and highlighted the important role that Governments themselves had to play, as recipients, in enhancing greater competitiveness and availability of their products, and, as donors, in allowing international competitive bidding for the increased amounts of aid currently being channelled through various multilateral and bilateral modalities.

131. The Assistant Administrator also summarized the views of IAPWG which had met in Argentina in April 1993 for its annual meeting. He indicated that discussions within the Group on ways in which the United Nations system could enhance procurement from developing countries were still ongoing; he highlighted the shortlisting and rostering mechanism.

132. Finally, the Assistant Administrator took the opportunity to inform the Committee that excellent progress had also been made in 1991 and 1992 with regard to procurement from every country in the underutilized major donor category. He also referred members to the more detailed statistics available separately in the form of the "1992 Annual Statistical Report", prepared by IAPSO.

Summary of the discussion in the Committee

133. Several members commented on the positive trend, in particular that of UNDP performance, in light of the several past General Assembly resolutions and Governing Council decisions on the issue. One member particularly commended the work and role of IAPSO.

134. Some members stressed the need for even further progress to be made in increasing procurement from developing countries.

135. One member indicated that special efforts should continue to be made to identify and expand the roster of potential suppliers of goods and services in developing countries. In that connection, the member, making particular reference to the TCDC INRES-South database, stressed the need to ensure that databases produced for the purpose should contain more detailed data of product and skills available from those suppliers, that greater access to developing countries themselves be provided to such databases, and that consideration be given to establishing regional or subregional databases. The member also requested all contributing Governments to continue to stress the need to increase procurement from developing countries, even from funds earmarked for particular activities or programmes, either bilateral or multilateral. Finally, the member supported the efforts of IAPWG to focus on improving the rostering and shortlisting system of the United Nations, its funds, programmes and specialized agencies.

136. Another member, in appreciating the need for more complete information to be made available and while supporting the call for greater accessibility to databases, said that caution should be exercised lest the United Nations system

proliferate such efforts; initial focus should be on taking advantage of existing mechanisms, strengthening and, as appropriate, integrating them.

137. One member requested clarification from the Administration on which rules, regulations and guidelines applied to procurement undertaken under the national execution modality. The member stressed the importance of transparency and suggested that UNDP might want to look into the possibility of establishing common guidelines for the purpose.

138. One member asked if UNDP could assist developing countries in alleviating the constraints identified in the report of the Administrator.

Response of the Administration

139. The Administration confirmed that efforts to delineate more accurately the data, including their clearer specification into products and skills, was under review through the IAPWG arrangement. Future reports would reflect progress made. The Administration also confirmed that, notwithstanding the limitations and constraints referred to in document DP/1993/50, the United Nations system would continue to make efforts for further increases in procurement from developing countries. The remarks made by members with regard to the idea of more effective use of databases, including possible regional databases, would, accordingly, be put before the next meeting of IAPWG for discussion.

140. On the issue of national execution, the Administration confirmed that the basic premise underlying the policy, as mandated by the Governing Council and by the General Assembly in its resolution 47/199, was the concept of self-reliance and sovereignty. As such, procurement undertaken by Governments executing UNDP projects or programmes followed, as was the case with other executing agencies, their own rules and regulations within the overall framework of the UNDP principles of procurement and, particularly, the requirement for international competitive bidding. The Committee was also informed that standard accountability and auditing requirements were established under national execution.

141. Finally, UNDP clarified that the constraints referred to in paragraph 20 of document DP/1993/50 were limitations outside the scope and control of the United Nations system; in view of that, there was also a need for Governments to take their own appropriate action.

Recommendation of the Committee

142. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision:

The Governing Council,

Recalling its decision 91/48 of 21 June 1991,

Also recalling paragraphs 21 and 22 of General Assembly resolution 44/211 of 22 December 1989, and paragraphs 26 and 27 of resolution 47/199 of 22 December 1992 relating to procurement from developing and major underutilized donor countries,

1. Takes note of the report of the Administrator on procurement from developing countries (DP/1993/50), the 1992 Annual Statistical Report prepared by the Inter-Agency Procurement Services Office and the observations and comments made thereon by delegations;

2. Takes note of the measures taken and improvements made by the United Nations system to increase further procurement from developing countries as well as of the constraints and limitations identified in paragraph 20 of the Administrator's report;

3. Encourages, in this context, Governments to address the constraints and limitations, including attitudinal barriers, in order to promote further procurement from developing countries;

4. Commends, in particular, the progress made by the United Nations Development Programme in increasing procurement from developing countries, as well as the facilitating research and development role and activities of the Inter-Agency Procurement Services Office;

5. Recognizes that the recent increase in government cost-sharing and the increased use of the national execution modality have been major factors contributing to the significant progress made in increasing procurement from developing countries;

6. Takes note that, under national implementation, the recipient governments' rules and procedures for procurement apply and reiterates that such procurement should be compatible with the Financial Regulations and Rules of the United Nations Development Programme in order to promote accountability, transparency and cost-effectiveness, in particular through international competitive bidding;

7. Urges United Nations Development Programme, through the Inter-Agency Procurement Working Group, to encourage the United Nations, its funds, programmes and its specialized agencies to expand further their efforts to increase procurement from developing and underutilized major donor countries;

8. Supports the efforts of the Inter-Agency Procurement Working Group to define further and improve the accuracy of the data being provided to the Inter-Agency Procurement Services Office for its annual reporting to the Governing Council and to the Economic and Social Council;

9. Requests the United Nations Development Programme, through the Inter-Agency Procurement Working Group, to work on improving existing procurement or supplier databases to include greater product and skill specification;

10. Stresses the need for the United Nations system to improve its rostering and shortlisting systems and procedures with a view to ensuring greater geographical representation from suppliers of goods and services from developing and underutilized major donor countries.

143. The Governing Council subsequently adopted decision 93/38.